

IOWA STATE UNIVERSITY

Digital Repository

CARD Briefing Papers

CARD Reports and Working Papers

6-2003

Lessons from the Danish Ban on Feed-Grade Antibiotics

Dermot J. Hayes

Iowa State University, dhayes@iastate.edu

Helen H. Jensen

Iowa State University, hhjensen@iastate.edu

Follow this and additional works at: http://lib.dr.iastate.edu/card_briefingpapers



Part of the [Agricultural and Resource Economics Commons](#), [Agricultural Economics Commons](#), [Economic Policy Commons](#), and the [International Economics Commons](#)

Recommended Citation

Hayes, Dermot J. and Jensen, Helen H., "Lessons from the Danish Ban on Feed-Grade Antibiotics" (2003). *CARD Briefing Papers*. 28. http://lib.dr.iastate.edu/card_briefingpapers/28

This Article is brought to you for free and open access by the CARD Reports and Working Papers at Iowa State University Digital Repository. It has been accepted for inclusion in CARD Briefing Papers by an authorized administrator of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.

Lessons from the Danish Ban on Feed-Grade Antibiotics

Abstract

McDonald's Corporation, one of the largest buyers of meat in the U.S. fast-food industry, recently adopted a policy that prohibits its direct suppliers from using medically important antibiotics as growth promotants in food animals after 2004. Although the implications of such a voluntary ban in the United States remain to be seen, recent experiences in Denmark provide some comparable evidence on the effects for hog production. An economic analysis, compiled from information gleaned from interviews with Danish veterinarians, farmers, economists, and industry analysts, estimates the economic costs of an antibiotics ban on pork producers in the United States. Denmark first imposed a ban in pork production at the finishing stage, which was considered a success, with producers encountering few additional costs. When the country further implemented a ban at the weaning stage, producers encountered severe health problems and incurred large costs. In addition, a complete ban actually increased the total antibiotics used, as Danish veterinarians were forced to prescribe additional therapeutic agents—and prescribed those used most often in human medicine. The economic analysis of U.S. hog production indicates that a U.S. ban would increase costs by approximately \$4.50 per animal in the first year. The total cost of a ban to the U.S. pork industry spread across a ten-year period could be in excess of \$700 million.

Keywords

antibiotics, economic costs of regulation, food safety, pork production

Disciplines

Agricultural and Resource Economics | Agricultural Economics | Economic Policy | International Economics

Lessons from the Danish Ban on Feed-Grade Antibiotics

Dermot J. Hayes and Helen H. Jensen

Briefing Paper 03-BP 41

June 2003

**Center for Agricultural and Rural Development
Iowa State University
Ames, Iowa 50011-1070
www.card.iastate.edu**

Dermot Hayes is a professor of economics and finance and the Pioneer Hi-Bred International Chair in Agribusiness, Center for Agricultural and Rural Development (CARD), Iowa State University. He may be contacted by e-mail at dhayes@iastate.edu, or by telephone at 515-294-6185.

Helen Jensen is a professor of economics and head of the Food and Nutrition Policy Division, CARD, Iowa State University. She may be contacted by e-mail at hhjensen@iastate.edu, or by telephone at 515-294-6253.

The authors acknowledge and thank Drs. Poul Baekbo and Asger Kjaer Nielsen of Danish Meats for help in planning and arrangements during their visit to Denmark, other representatives of the Danish meat and swine industry, and the Danish Veterinary Institute for their kind hospitality and help with the study. John Waddell traveled with the authors to Denmark and provided valuable insight into the veterinary practice and implications. The authors also thank Jay Fabiosa for help with the economic analysis.

This study was funded in part by the National Pork Board.

This publication is available online on the CARD website: www.card.iastate.edu. Permission is granted to reproduce this information with appropriate attribution to the authors and the Center for Agricultural and Rural Development, Iowa State University, Ames, Iowa 50011-1070.

Iowa State University does not discriminate on the basis of race, color, age, religion, national origin, sexual orientation, sex, marital status, disability, or status as a U.S. Vietnam Era Veteran. Any persons having inquiries concerning this may contact the Director of Equal Opportunity and Diversity, 1350 Beardshear Hall, 515-294-7612.
--

Executive Summary

McDonald's Corporation, one of the largest buyers of meat in the U.S. fast-food industry, recently adopted a policy that prohibits its direct suppliers from using medically important antibiotics as growth promotants in food animals after 2004. Although the implications of such a voluntary ban in the United States remain to be seen, recent experiences in Denmark provide some comparable evidence on the effects for hog production. An economic analysis, compiled from information gleaned from interviews with Danish veterinarians, farmers, economists, and industry analysts, estimates the economic costs of an antibiotics ban on pork producers in the United States. Denmark first imposed a ban in pork production at the finishing stage, which was considered a success, with producers encountering few additional costs. When the country further implemented a ban at the weaning stage, producers encountered severe health problems and incurred large costs. In addition, a complete ban actually increased the total antibiotics used, as Danish veterinarians were forced to prescribe additional therapeutic agents—and prescribed those used most often in human medicine. The economic analysis of U.S. hog production indicates that a U.S. ban would increase costs by approximately \$4.50 per animal in the first year. The total cost of a ban to the U.S. pork industry spread across a ten-year period could be in excess of \$700 million.

Keywords: antibiotics, economic costs of regulation, food safety, pork production.

LESSONS FROM THE DANISH BAN ON FEED-GRADE ANTIBIOTICS

In June of 2003, McDonald's Corporation announced that it would prohibit its direct suppliers from using antibiotics that are important in human medicine as growth promoters in food animals after 2004. The company also created a purchasing preference for companies that work to minimize antibiotic use. This announcement, coupled with recent Food and Drug Administration guidance on the same issue, will put pressure on the U.S. livestock industry to consider alternatives to feed-grade antibiotics. Denmark recently banned the use of feed-grade antibiotics in pork production and has been joined in this action by countries in the European Union. The ban was implemented first at the finishing stage and then at the weaning stage. Here, we describe Denmark's experiences with the withdrawal of antibiotics from feed.

In summary, the Danes achieved a large reduction in antibiotic use, and producers encountered few costs when they banned at the finishing stage. However, when they imposed a ban at the weaning stage they encountered severe health problems and incurred large costs. Generally speaking, they achieved 80 percent of the benefits for 20 percent of the costs when they imposed a partial ban and encountered 20 percent of the benefits and 80 percent of the costs when they extended the ban.

The health consequences of the complete ban were so severe that veterinarians were forced to prescribe additional therapeutic antibiotics, which resulted in an increase in total antibiotic use. In addition, the antibiotics that the Danish veterinarians prescribed were those that are often used in human medicine, whereas the antibiotics that were banned are not. The country is now grappling with an increased resistance to these antibiotics in their population. This is a classic example of how a policy prescription can have consequences that are exactly the opposite of those intended.

Here, we describe the changes that were implemented in Denmark and the ways in which the Danish pork industry responded to these changes as we observed them in Denmark and through discussions with Danish veterinarians, farmers, economists, and industry analysts. We focus on the economic impact of the ban, as well as on the total

antibiotic consumption, and use the evidence to consider the likely economic impacts of a similar ban for U.S. pork producers.

Background

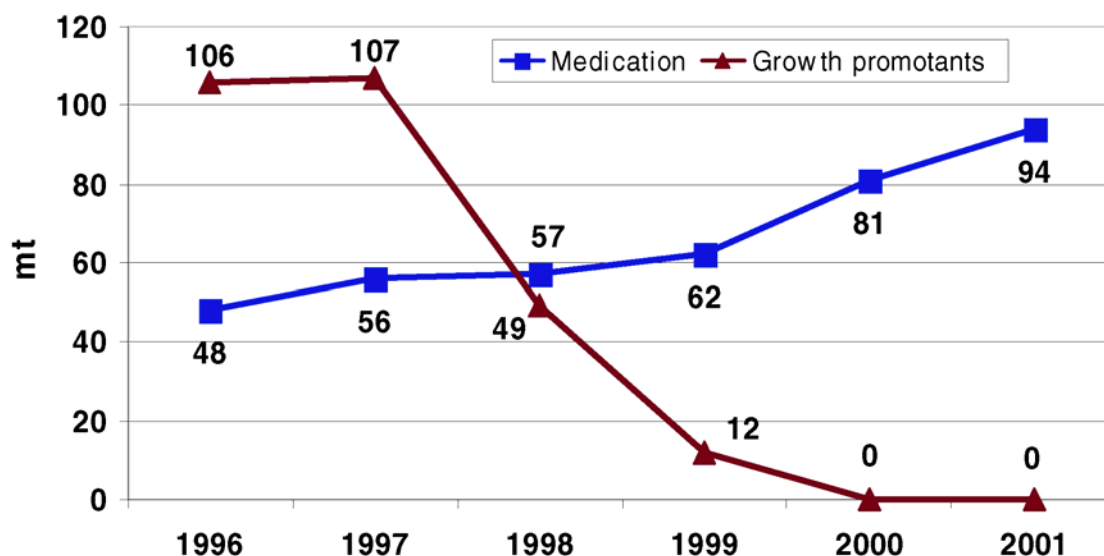
Current E.U. regulations restrict the use of antimicrobials—derived from either human or veterinary therapeutic medicine—as feed-additive growth promoters in livestock. The European Union currently restricts the list of approved feed additives to include only avilamycin, bambarmycin, salinomycin, and monensin, and these antibiotic growth promotants (AGPs) are scheduled to be banned by 2006.

The Danish government instituted a voluntary ban on the use of AGPs in pork production at the finishing stage in 1998 (accompanied by a penalty tax for use). On January 1, 2000, they banned AGPs at both the weaning and finishing stages. Denmark provides a suitable market for evaluating the cost impact of a ban of AGPs. It is an export-oriented and market-driven production system. It maintains excellent records on production costs and on antibiotic use, and its pork industry is at least as sophisticated as that of the United States.

Antibiotic Use

As shown in Figure 1 (based on data from DANMAP 2001; see DVI 2002), Denmark's total consumption of antibiotics in pork production was 152 metric tons (mt) of active ingredient in 1996, 106 mt of AGPs, and 48 mt of therapeutic use as medication. By 1998 when antibiotics were banned from use at the finishing stage, the total use was 106 mt. AGP use fell by about 50 percent (from 107 mt to 49 mt) and therapeutic use remained about constant. By 1999, overall antibiotic use fell to a low of 74 mt.

The effective ban of AGPs at the finishing stage in 1998 was accomplished through a tax and some pressure to discontinue the use of subtherapeutic antibiotics. Danish farm management experts calculated the economic value of the subtherapeutic antibiotics at the finishing stage. Based on their estimates, farmers were required to pay a tax of \$2.00 per head on animals for which the products were used or to agree to discontinue use. Policymakers considered this level of tax “about right.” Faced with this tax, most producers stopped using the products at the finishing stage. Farmers reported very few



Source: DANMAP 2000 (DVI 2001); DANMAP 2001 (DVI 2002).

FIGURE 1. Total consumption of antibiotics in Denmark (mt of active ingredients)

health problems in their herds, a result that indicates that most of the benefits of AGP use at the finishing stage were driven by a growth-promoting effect plus a small reduction in mortality. National mortality did increase from 3 to 3.6 percent in 1999, but it is not clear that any of this was due to the ban. The Danes viewed the ban at the finishing stage as a resounding success. Total antibiotic use was cut by more than 50 percent, and very few health problems were encountered.

The ban at the weaning stage in 2000 was much more difficult for farmers; they reported some severe health problems, especially in the early stages of pig production (National Committee for Pig Production 2002). Producers responded by restricting feed for the first two weeks. As problems of piglet mortality and disease mounted, veterinarians became more dependent on the use of therapeutic antibiotics. As a result, although the use of AGPs fell to nearly zero in 2000, the use of antibiotics as therapeutic medications increased. Therapeutic medications were increasingly substituted for the now-banned AGPs. Thus, the consumption of total antibiotics *increased* from 74 mt in 1999 to 81 mt in 2000 and to 94 mt in 2001. Despite this increase, the overall level of antibiotic use in 2001 was still limited to about 60 percent of the level used in 1996 before the ban at the finishing stage. On a per pig basis, the level in 2001 was estimated to be 3.0 grams per pig, down from earlier levels (DVI 2002).

Most of the pig health problems experienced after the ban were described as problems with post-weaning diarrhea and also some diarrhea at the finishing stage. The Danish producers and veterinarians we spoke with reported that the pigs were weaker and more vulnerable to disease when they were moved to the finishing barns. The Danish experience suggests that reduced use of antibiotics at the weaning stage has had significant animal health effects throughout the production system.

Future Patterns of Antibiotic Use in Denmark

The Danes have implemented a major effort to track antibiotic resistance in animal bacterial isolates through DANMAP, the Danish Integrated Antimicrobial Resistance Monitoring and Research Programme. Through a parallel program called VetStat, the Danes are able to monitor the prescription of antibiotics by type of antibiotic, by farm, and by veterinarian because of unique features of their prescription issuance and reporting system. According to the veterinarians interviewed, this reporting system has provided the ability to use prescription information to identify veterinarians and quantify the use of antibiotics in each swine herd. Through the use of this and other controls, the national authorities have confidence that they can further reduce the overall use of antibiotics and that they have the tools to do so.

Human Health Impacts and the Law of Unintended Consequences

Although human health impacts were not the focus of our study, we should point out that the AGP products that were banned in Denmark have less use in human medicine than do the therapeutic antibiotics that replaced them. Table 1 shows the large increase in the use of human health products such as tetracyclines, penicillins, and macrolides in Danish food animal production.

We could reasonably conclude that the use of the human health products in animal production might be more harmful to human health than the products they replaced. This logic is supported by evidence from human health studies in Denmark. Of particular concern is the increase in antimicrobial resistance among *Salmonella typhimurium* and *Campylobacter jejuni* human isolates to tetracycline and other selected antimicrobials in Denmark in 2001 (Figure 2). This evidence is important because the antibiotics that were

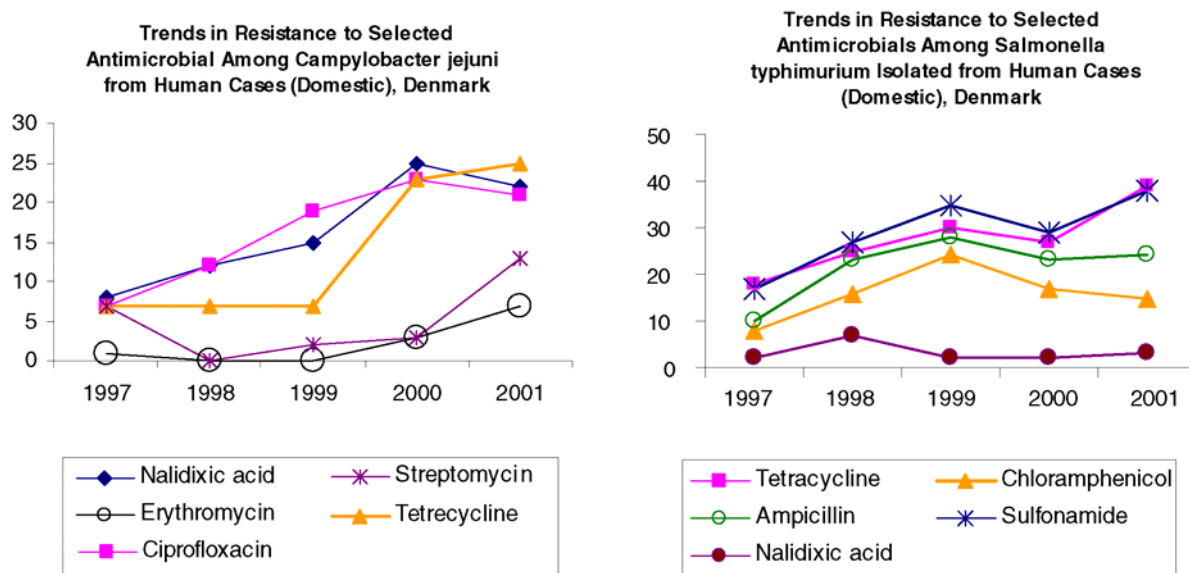
TABLE 1. Trends in the estimated total usage of antimicrobials for treatment of food animals in Denmark (kg active compound)

ATC Group	Compound	1986	1988	1990	1992	1994	1996	1998	1999	2000	2001 ^a
J01A	Tetracyclines	3,800	3,600	9,300	22,000	36,500	12,900	12,100	16,200	24,000	27,900
J01C	Penicillins with narrow spectrum	3,700	3,800	5,000	6,700	9,400	7,200	14,300	14,700	14,800	17,100
J01C/J01D	Penicillins with extended spectrum	850	1,000	1,200	2,500	4,400	5,800	6,700	6,600	7,600	9,300
J01E	Sulfonamides + trimethoprim	2,500	2,200	3,800	7,900	9,500	4,800	7,700	6,800	7,000	7,400
J01E	Sulfonamides	22,300	24,200	8,700	5,900	5,600	2,100	1,000	1,000	1,000	800
J01F	Macrolides + lincosamides	10,100	9,300	10,900	12,900	11,400	7,600	7,100	8,700	11,100 ^b	14,300
J01G	Aminoglycosides	7,800	7,400	7,700	8,500	8,600	7,100	7,800	7,500	10,400	11,900
J01M/J01X	Others	13,800	6,900	6,700	6,800	4,400	600	650	350	4,500	5,200
J01	Total	64,800	58,400	53,400	73,200	89,900	48,000	57,300	61,900	80,600	94,200

Source: Data for 1986–94 are from the Federation of Danish Pig Producers and Slaughterhouses: *Use of Antibiotics in the Pig Production*, edited by N.E. Rønn. Data for 1996–2000 come from DANMAP 2000 (DVI 2001).

^aTaken from DANMAP 2001 (DVI 2002).

^bAdjusted from DANMAP 2001 (DVI 2002).



Source: DANMAP 2000 (DVI 2001); DANMAP 2001 (DVI 2002).

FIGURE 2. Trends in resistance to selected antimicrobials among isolates from domestically acquired human cases in Denmark

phased out were active against gram negative bacteria and could not have created resistance in gram positive bacteria such as salmonella or campylobacter. Because of the health problems that were encountered, many antimicrobials in use before the ban were replaced with tetracyclines, which are active against gram positive bacteria. Tetracycline use in Denmark went from 12,100 kg in 1998 to 27,900 kg in 2001, and now Denmark has experienced problems with tetracycline resistance in humans. The link between animal use of antibiotics and human resistance has not been proven, so we cannot conclude that the large increase in the use of human drugs caused a problem. However, it is ironic that the policy resulted in an increase in the use of the products about which humans are most concerned.

Cost Impacts

Based on what we learned in Denmark and on an earlier publication that measured the costs associated with a previous Swedish ban, we calculated the components of the cost of the ban, as shown in Table 2. (Details on these cost estimates are available from the authors).

TABLE 2. Productivity impacts in Denmark and Sweden

	Sweden	Denmark
Age at weaning	+ 1 week	^a
Days from weaning to reach 25 kg	+ 5 days	^a
Feed efficiency from 50 to 250 lbs	- 1.5%	-1.5%
Piglet mortality	+ 1.5% pts	^a
Fattening-finish mortality	+ 0.04%	+0.04
Piglets per sow	- 4.82%	-4.82%
Veterinary and therapeutic costs (per pig) net of costs for feed-grade antibiotics		+ \$0.25
Lawsonia vaccine		\$0.75

^a These costs totaled \$1.25 per animal in Denmark and were not broken down into specific productivity impacts.

In addition, we included sort-loss costs of \$0.64 per animal. Although the Swedish and Danish producers did not have a problem with sort loss, this was because the producers were able to convince the packers to accept more lightweight pigs. We included the sort loss in the costs expected in the United States because of increased variability of weights expected with the move away from AGPs and the penalty packers place on the lighter-weight pigs. We also include capital costs of \$63 million for the additional space needed for the extra five days post-weaning, and we include \$166 million for the additional sow space.

The economic impact of a U.S. ban would depend to a large extent on the willingness of U.S. veterinarians to increase therapeutic use. Our best estimate is that costs would increase by approximately \$4.50 per animal in the first year. The estimated cost increase includes an increase in costs at the finishing stage of \$1.05 per animal; an increase in costs at the weaning stage of \$1.25 per animal; an additional veterinary cost of \$0.25 per animal; a vaccine cost of \$0.75 per animal; an increase in sort loss of \$0.65 per animal; and a capital cost of about \$0.55 per animal. Industry profits would be lower than would otherwise be the case as U.S. producers adjust to the ban. The total cost of a ban to the U.S. pork industry spread across a ten-year period is estimated to be in excess of \$700 million. The expected cost to consumers is an approximate 2 percent increase in retail prices.

Economic Effects

Adding the effects from estimated changes in productivity (Table 2) to the sort loss and initial construction costs suggests a first-year impact of \$4.50 per head due to the effects of a ban on AGPs, which represents a production cost increase of approximately 4.5 percent. This cost increases slightly as more buildings are required in subsequent years and there are fewer animals but the same fixed costs. (For further details on how this model is constructed, see Hayes et al. 2001.) Another comparable estimate for the United States is a cost of \$2.76 per hog (Brorsen et al. 2002); and, a recent estimate of the cost in Denmark of the restricted use is \$4 per pig (Jensen 2003). These estimates suggest the costs are likely to range from \$3 to \$4.50 per pig.

As costs increase, production declines, and some producers likely would be forced out of business. A lower level of production increases wholesale and retail prices, and higher prices help offset some of the cost increases. The profit impact is greatest in year one. By year two, the consumer is paying for most of the cost increase, and producer profits would fall. The end result is a slightly smaller U.S. pork industry, as slightly higher retail prices would result in lower consumption. Our estimates show, by adding up the lower profits per animal for all ten years and summing across the entire industry, that the total cost of a ban would likely exceed \$700 million. The productivity decline associated with the ban would be recovered by normal technological advances, but the dollars lost to individual producers during the adjustment phase would be not be recovered.

One important lesson from the Danish experience is that there is wide variation in the effects incurred among producers. Our results show the economic impacts of a ban on an “average” or “representative” farm. These results mask wide differences across farms, and these distributional effects are not estimated in the model. With a ban on AGP use, an all-in, all-out system is necessary in order to reduce the pressure of infectious diseases. In the United States today, as much as 20 percent of production still originates on farms that have not yet adopted all-in, all-out processes (Lawrence 2003). Producers who use a mixed or continuous-flow system might be disinclined to invest in system changes, and thus they would exit the business. Another major factor to consider is that a ban would likely increase lightweight pigs. The model accounted for this change as a discount to

producers as they sell on the price grid. In contrast, the Swedish and Danish industries own their packers, and therefore the market for the smaller animals is more protected.

The Danish experience clearly illustrates the differences between the effects of a ban at the weaning stage and one implemented at the finishing stage. Our conclusion, based on our assessment of the likely effects of a ban on AGP use in U.S. pork production, is that a ban at the finishing stage would create very few animal health concerns, but it would lead to a slight reduction in feed efficiency and increase the weight spread of finished animals. A ban at the weaning stage would create some serious animal health concerns and lead to a significant increase in mortality. Faced with these problems, U.S. veterinarians would likely resort to more powerful therapeutic antibiotics, and the total use of antibiotics could rise, much as has happened in Denmark in the period immediately after the ban at the weaning stage. The economic impact of a U.S. ban would depend to a large extent on the willingness of U.S. veterinarians to increase therapeutic use, and the analysis assumes some increase in veterinary costs and vaccines. Recent experience in the United Kingdom indicates that the costs and management of eliminating use of subtherapeutic antibiotics are significant. Under agreements with retailers, the U.K. producers eliminated AGPs in poultry production in 2000, but now, faced with significant problems of disease and diarrhea in their flocks, they are reintroducing antibiotics to *prevent* disease. Currently, total antibiotic use has dropped, although AGPs may now be used as one tool in increased management of animal health.

References

- Brorsen, W., T. Lehenbauer, D. Ji, and J. Connor. "Economic Impacts of Banning Subtherapeutic Use of Antibiotics in Swine Production." *Journal of Agricultural and Applied Economics* 34, 3(December 2002): 489-500.
- Danish Veterinary Institute (DVI). DANMAP 2000: *Consumption of Antimicrobial Agents and Occurrence of Antimicrobial Resistance in Bacteria from Food Animals, Foods and Humans in Denmark*. Copenhagen. July 2001.
- . DANMAP 2001: *Use of Antimicrobial Agents and Occurrence of Antimicrobial Resistance in Bacteria from Food Animals, Foods and Humans in Denmark*. Copenhagen. July 2002.
- Hayes, D.J., H.H. Jensen, L. Backstrom, and J. Fabiosa. "Economic Impact of a Ban on the Use of Over the Counter Antibiotics in U.S. Swine Rations." *International Food and Agribusiness Management Review* 4(2001): 81-97.
- Jensen, H.M. "Life After the Ban—Experiences of a Danish Swine Veterinarian." Presentation at the Annual Meeting of the American Association of Swine Veterinarians, Orlando, FL. April 2003.
- Lawrence, J. Personal communication. Iowa State University. Department of Economics. 2003.
- National Committee for Pig Production. Annual Report 2002. The National Committee for Pig Production: Research and Development. Copenhagen. October 2002.